

GENERAL COUNSEL'S REPORT

March 27, 2013

A. Chattanooga-Hamilton County Hospital Authority d/b/a Erlanger North Hospital, Chattanooga (Hamilton County), TN — CN1012-056A

This project was approved by a 9-0 vote at the March 23, 2011 Agency meeting for the establishment of a nursing home by converting thirty (30)* acute care hospital beds to skilled nursing beds as well as the initiation of skilled nursing services. The estimated project cost was \$1,477,052.00.

* These beds were subject to the 125 Nursing Home Bed Pool for 2010-2011.

Request for: 1) Twelve (12) month extension of the expiration date from May 1, 2013 to May 1, 2014; and 2) Change of control (change of ownership) of the unimplemented certificate of need to establish a new nursing home, as permitted by T.C.A. §16-11-1620(b) with the Agency's approval, from Chattanooga-Hamilton County Hospital Authority d/b/a Erlanger North Hospital to Mature Care Transitional Unit, L.L.C. (affiliated with Standifer Place).



February 28, 2013

Mr. James Christoffersen, General Counsel
Tennessee Health Services & Development Agency
Frost Bldg., 3rd Floor
161 Rosa L. Parks Blvd.
Nashville, TN 37243

RE: Erlanger North Hospital
Request to Transfer & Extend CN 1012-056A

Dear Mr. Christoffersen;

Erlanger seeks approval from the State of Tennessee, Health Services and Development Agency to transfer the above reference CON to Mature Care Transitions Unit, LLC, an affiliate of Standifer Place (attached) and to extend for one year the above referenced CON. In support of this request, the following information is provided.

On February 23, 2011, the Tennessee Health Services & Development Agency approved Certificate of Need number CN1012-056A for Chattanooga Hamilton County Hospital Authority dba Erlanger North Hospital to establish a nursing home by converting thirty (30) acute care beds to skilled nursing beds as well as the initiation of skilled nursing services. The CON was issued on March, 23 2011.

Erlanger commenced, but has not completed or licensed implementation of the CON while concurrently engaging in discussion with other providers about how best to operationalize the 30 bed nursing unit. After meeting with several providers, Erlanger determined that it would be best to partner with Standifer Place to manage the 30 bed unit. Standifer Place is a 444 bed not for profit nursing home located in Chattanooga which already works closely with Erlanger, serving many of our complex and difficult to place patients. Erlanger has shared this information in progress reports and with staff of the Health Services and Development Agency on an ongoing basis. Most recently, Standifer Place and Erlanger have determined that it would be best to execute plans for the 30 bed nursing home if Standifer Place were both the provider and the manager. Erlanger then introduced Standifer Place and this proposal to staff of the Health Services & Development Agency to gain insight and guidance on how best to implement the proposed plan. Standifer Place then proceeded to establish a new affiliate organization, Mature Care Transitional Unit, L.L.C., (attached) to operate and manage the unit.

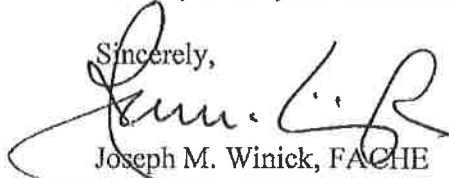
More time has lapsed than anticipated in executing plans to implement the CON, though Erlanger and Standifer Place/Mature Care are committed to its timely implementation. Working together will help to assure the economic viability of the unit and its integration and contribution to the orderly development of health service in the region. Most

important, the collaboration will help to assure access to those in need of services, while enhancing the continuity and quality of care provided. We believe that the collaboration will fulfill if not further the goals and objectives set forth for the proposed 30 bed unit in the CON application filed by Erlanger. We appreciate your consideration and request your approval.

Please let me know if additional information is needed to effect the proposed transfer and/or to extend for 12 months the expiration of the CON.

Thank you for your assistance and support on this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "J. M. Winick", written over the printed name.

Joseph M. Winick, FACHE
Senior Vice President
Planning & Business Development

ARTICLES OF ORGANIZATION
OF
MATURE CARE TRANSITIONAL UNIT, LLC

ARTICLE I

The name of this Tennessee Limited Liability Company (the "Company") is:

Mature Care Transitional Unit, LLC

ARTICLE II

The name and address of the Company's registered agent in Tennessee is National Registered Agents, Inc., 1900 Church Street, Suite 400, Nashville, TN 37203.

ARTICLE III

The period of duration for the Company shall be perpetual and the accounting year shall end in December.

ARTICLE IV

The Salt Foundation, a Tennessee non-profit corporation, having applied for exemption from payment of federal income tax as an organization described under §501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"), shall be the sole Member of the Company; the Company is to be managed by its sole Member and considered a disregarded entity pursuant to Treasury Regulation 26 CFR §301.7701-3. The name and address of the Organizer is:

Allen Richardson, 1102 Virginia Avenue, Murfreesboro, TN 37130

ARTICLE V

The purposes for which the Company is formed, and the business and objects to be carried on and promoted by it, are as follows:

(1) The Company is organized in accordance with the provisions of the Tennessee Revised Limited Liability Company Act and shall be operated exclusively for charitable purposes within the meaning of Section §501 (c)(3) of the Code, including, for such purposes, the making of distributions to organizations which qualify as an exempt organization under §501(c)(3) of the Code, or the corresponding Section of any future United States Internal Revenue Law.

(2) The Company is established to develop, acquire, own, maintain, lease, operate, and/or manage skilled nursing homes, licensed assisted living units and related health care facilities, including retirement housing for elderly and infirm persons; and to otherwise provide nursing and other health care services and facilities to those requiring such services.

(3) The purpose for which the Company is organized and the character of affairs which the Company intends actually to conduct itself are limited to its objectives, said objectives to be effected by the Company are as follows:

- (a) To purchase and develop elder-care facilities, the first of which is to be located in Tennessee (the "Project"), and to operate the same or lease same to an organization with sufficient skill, ability and resources to ensure its continued success in providing health and nursing services to elderly persons in need;
- (b) To enable the financing of such acquisition and development of the Project with the proceeds from the issue of tax-exempt and taxable bonds, and other financing sources, including FHA-insured mortgage financing;
- (c) To enter into, execute, perform, and carry out agreements or contracts of any kind necessary to, or in connection with or incidental to, the accomplishment of the purposes of the Company, including without limitation, notes, loan agreements, mortgages and such other agreements or contracts with the issuer or trustee of such bonds, or other parties, which may be desirable or necessary to effect the acquisition and development of the Project and said financing and/or to comply with the requirements of the Code, and the Regulations of the Secretary of Housing and Urban Development or the Secretary of the Treasury, relating to the use of bond proceeds, regulation or restriction of the owners of such bond financed property as to rents, sales, charges, capital structure, rate of return and method of operation;

- (d) To acquire any property, real or personal, in fee or under lease, or any rights therein or appurtenant thereto, necessary for the operation of the Project; and
- (e) To borrow money, and to issue evidence of indebtedness, and to secure the same by mortgage, deed of trust, pledge or other lien, in furtherance of any or all of the objects of its business in connection with a Project.

(4) The Project to be acquired by the Company is in furtherance of the above stated objectives shall be operated for the benefit of elderly persons in need of skilled nursing assistance as well as other daily care services, and consistent with the manner and purpose of providing such services and assistance as recognized as charitable by the Code.

(5) The Company shall serve only such purposes and functions and shall engage only in such activities as are consistent with the purposes set forth in this ARTICLE V and with the charitable purposes and objectives of its sole Member.

(6) In any and all of its activities, the Company shall not pursue a policy with respect to applicants, members, staff, tenants, or others related to such programs, that discriminates in any way on the basis of race, religion, color, sex, or national origin.

ARTICLE VI

In furtherance of its purposes as specified in ARTICLE V above, the Company is empowered:

(1) To do and perform all things whatsoever set out in ARTICLE V above, and necessary or incidental to the accomplishments of said purposes.

(2) Specifically and particularly, to enter into and perform under a loan agreement and/or regulatory agreement with appropriate governmental issuing authorities, setting out the terms of financing for the acquisition of the Project.

(3) To acquire or receive from any individual, firm, association, corporation, trust, foundation or any governmental subdivision, unit or agency, by deed, gift, purchase, bequest, devise, appointment or otherwise, cash, securities and other property, tangible or intangible, real or personal, and to hold, administer, manage, invest, reinvest, and disburse the principal and income therefore solely for the purposes hereof.

(4) To distribute property for such purposes in accordance with the terms of gifts, bequests, or devises to the Company not inconsistent with its purposes, as set forth in these Articles of Organization, or in accordance with determinations made by the sole Member.

(5) To receive and maintain a fund or funds, to invest or reinvest such fund or funds and to apply the income and principal of any funds received to promote the goals and purposes set herein.

(6) To own, hold, use, lease and otherwise deal in and dispose of any real or personal property, or any interest therein, situated in or out of this state.

(7) To perform all other acts necessary or incidental to the above and to do whatever is deemed necessary, useful, advisable or conducive, directly or indirectly, to carry out any of the purposes of the Company, as set forth in these Articles of Organization, including the exercise of all other powers and authority enjoyed by limited liability companies generally by virtue of the laws of the State of Tennessee; provided that the Company shall at all times act in accordance with limitations prescribed by §501(c)(3) of the Code as they apply to corporations recognized as tax-exempt pursuant to said Section.

Notwithstanding the provisions of this ARTICLE VI, the Company will at all times abide by the separateness covenants established below in the ARTICLE VI and is required by these covenants:

- (1) To maintain books and records separate from any other person or entity.
- (2) To maintain its accounts separate from any other person or entity.
- (3) Not to commingle its assets with those of any other entity.
- (4) To conduct its own business in its own name.
- (5) To maintain separate financial statements.
- (6) To pay its own liabilities out of its own funds.
- (7) To observe corporate formalities.
- (8) To conduct business with affiliates on terms equivalent to those of arm's length transactions.

- (9) To pay salaries of its own employees and maintain employees as may be necessary to its business operation.
- (10) Not to guarantee or become obligated for the debts of any other entity or hold out its credit as being available to satisfy the obligations of others.
- (11) To allocate fairly and reasonably any overhead or shared office space.
- (12) To maintain its own stationery, invoices and checks.
- (13) Not to pledge its assets for the benefit of any other entity or, make any loans, or advances to any entity except in the ordinary course of business.
- (14) To hold itself out as a separate entity.
- (15) To correct any known misunderstanding regarding its separate identity.
- (16) To maintain adequate capital necessary to its business operations.

ARTICLE VII

No part of the net earnings of the Company shall inure to the benefit of any private individual, except that the Company shall be authorized and empowered to pay reasonable compensation for services actually rendered to it, and to make payments and distributions in furtherance of the purposes set forth in ARTICLE V. No substantial part of the activities of the Company shall be the carrying on of propaganda, or otherwise attempting to influence legislation, and the Company shall not participate in, or intervene in (including the publishing or distribution of statements), any political campaign on behalf of any candidate for public office. Notwithstanding any other provisions of these Articles of Organization, the Company shall not carry on any other activities not permitted to be carried on:

- (1) By a corporation exempt from federal income taxation under §501(c)(3) of the Code (or the corresponding provision of any future United States Revenue Law;) or
- (2) By a corporation, contributions to which are deductible for federal income tax purposes under §170(c)(2) of the Code (or the corresponding provision of any future United States Internal Revenue Law.)

It is intended that the Company shall act in accordance with the requirements and limitations with which organizations that are exempt from federal income taxation under §501(c)(3) of the Code must abide. All terms and provisions of these Articles of Organization and any operating agreement of the Company and all authority and operations of the Company, shall be construed, applied and carried out in accordance with such intent.

ARTICLE VIII

In the event of dissolution or final liquidation of the Company, all of the remaining assets and property of the Company shall, after paying or making provision for the payment of all of the liabilities and obligations of the Company and for necessary expenses thereof, be distributed to the sole Member of the Company or to such organization or organizations, as determined by the sole Member, and shall at the time qualify as an exempt organization or organizations under §501(c)(3) of the Code (or the corresponding provision of any future United States Internal Revenue Law) and as other than a private foundation under §509(a) of the Code. In no event shall any of such assets or property of the Company be distributed to any director or officer of the sole Member, nor to any private individual.

ARTICLE IX

All references in these Articles of Organization to Sections of the Internal Revenue Code shall be considered references to the Internal Revenue Code of 1986, as from time to time amended, and to the corresponding provisions of any applicable future United States Internal Revenue Law, and to all regulations issued under such sections and provisions.

ARTICLE X

Neither the sole Member of the Company, nor the Member's directors or officers, shall be individually liable for the Company's debts or other liabilities. The private property of such individuals and Member shall be exempt from any Company debts or liabilities.

In Witness Whereof, the undersigned has executed these Articles of Organization of
Mature Care Transitional Unit, LLC this 21st day of February, 2013.

A handwritten signature in cursive script, reading "Allen Richardson", written over a horizontal line.

Allen Richardson
President & Chairman
The Salt Foundation
Sole Member

STATE OF TENNESSEE
Health Services and Development Agency



Certificate of Need No. **CN1012-056A** is hereby granted under the provisions of T.C.A. § 68-11-1601, *et seq.*, and rules and regulations issued thereunder by this Agency.

To: Chattanooga-Hamilton County Hospital Authority dba Erlanger North Hospital
975 East 3rd Street
Chattanooga, TN 37403

For: Chattanooga-Hamilton County Hospital Authority dba Erlanger North Hospital

This Certificate is issued for: The establishment of a nursing home by converting thirty (30)* acute care hospital beds to skilled nursing beds as well as the initiation of skilled nursing services. No other health care services will be initiated or discontinued.

* These beds are subject to the 125 Nursing Home Bed Pool for 2010-2011

On the premises located at: 632 Morrison Springs Road
Chattanooga (Hamilton County), TN 37415

For an estimated project cost of: \$1,477,052.00

The Expiration Date for this Certificate of Need is

May 1, 2013

or upon completion of the action for which the Certificate of Need was granted, whichever occurs first. After the expiration date, this Certificate of Need is null and void.

Date Approved: February 23, 2011

Chairman

Date Issued: March 23, 2011

Executive Director

GENERAL COUNSEL'S REPORT

March 27, 2013

**B. The University of Tennessee Medical Center, Knoxville (Knox County), TN —
CN0912-056A**

Request for a twenty-four (24) month extension of the expiration date from May 1, 2013 to May 1, 2015: This project was approved at the March 24, 2010 Agency meeting for the interior build out of approximately 47,428 square feet of shelled-in space, being the 3rd and 4th floors of the new hospital wing authorized by CN0801-004A. The built out space will house patient rooms for cardiology and cardiothoracic patients, and is located on the main campus of UTMC. The estimated project cost was \$13,941,818.00.

2013 FEB 28 AM 11: 47

SunTrust Plaza
401 Commerce Street
Suite 800
Nashville, TN 37219
(615) 782-2200
(615) 782-2371 Fax
www.stites.com

February 28, 2013

Melanie M. Hill
Executive Director
Health Services and Development Agency
Frost Building, 3rd Floor
161 Rosa L. Parks Boulevard
Nashville, TN 37243

Jerry W. Taylor
(615) 782-2228
(615) 742-0703 FAX
jerry.taylor@stites.com

RE: University of Tennessee Medical Center
CN0912-056A

Dear Ms. Hill:

This is to request a 24 month extension of time on the above referenced certificate of need from the current expiration date of May 1, 2013 to May 1, 2015. This project was always envisioned as a long term facilities expansion project. Phase I was authorized by CN0801-004A, and included a new patient care wing with two floors to be built out immediately, and two additional floors of shelled-in space. The Phase I CON was completed and implemented on November 9, 2010.

Phase II, represented by this CON (CN0912-056A), authorized the build out of the two previously shelled-in floors (the 3rd and 4th floors). Although it was anticipated the 3rd floor would be built out prior in time to the 4th floor, it made more sense economically and otherwise to include the build out authorization for both floors in one CON. The 3rd floor build out was completed and opened for public use in March of 2011.

Management of University of Tennessee Medical Center ("UTMC") has determined the time is not yet right to initiate the build out of the 4th floor. Reasons supporting this conclusion include the following:

1. UTMC continued to experience an increase in admissions and overall volumes through 2012. However, several operational initiatives were launched to address throughput and efficiencies, i.e. clinical pathways, LEAN events to reduce waste, standardize processes, etc., resulting in a decrease in the overall length of stay (LOS) for inpatients in 2012. This reduction in LOS has enabled UTMC to manage its acute care capacity needs within the current bed availability on most days.
2. UTMC continuously assesses capacity in response to regional needs, and identifies access issues, trends in medical care and technological advances that impact the need for

Melanie M. Hill
February 28, 2013
Page 2

inpatient beds. The continuing transition from inpatient care to the outpatient setting is notable. Our goal is to bring additional capacity on line as the need is realized.

3. There is a high level of uncertainty regarding the healthcare reform legislation and its potential impact on UTMC. A continuing shift in the provision of medical care to the outpatient setting for many procedures is anticipated. Given this, it seems prudent to delay significant decisions of high dollar impact until the future is more clear.
4. While funding for the build out is available from internal resources, UTMC intends to fund at least a portion of this project through philanthropic fund-raising. Those efforts should not begin in earnest until the above considerations lead to a firm conclusion that the time is right to begin the build out efforts.

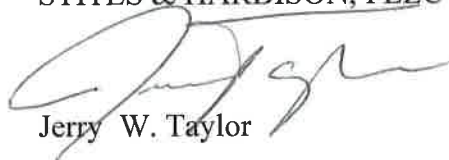
Executive management at UTMC strongly believes the need for the space is still justified given current volumes and assessments of projected community needs. The delay in construction of the final phase has been a deliberate decision by UTMC leadership to apply available funding where it can provide the greatest positive impact on the mission of UTMC as a regional academic medical center while awaiting clarity on the impact of healthcare reform.

Enclosed is a check in the amount of \$20,865.78 representing the extension fee for a two year extension. The original filing fee was \$31,298.67 for a 3 year period of validity, and the enclosed amount represent 2/3 of the original fee. Please let me know if this amount is not correct.

Please place this request on the agenda for the March 27, 2013 meeting. Thank you for your assistance, and please let me know if additional information is needed.

Very truly yours,

STITES & HARBISON, PLLC



Jerry W. Taylor

STATE OF TENNESSEE
Health Services and Development Agency



Certificate of Need No. **CN0912-056A** is hereby granted under the provisions of T.C.A. § 68-11-1601, *et seq.*, and rules and regulations issued thereunder by this Agency.

To: University Health System, Inc.
1924 Alcoa Highway
Knoxville, TN 37920

For: The University of Tennessee Medical Center

This Certificate is issued for: The interior build out of approximately 47,428 square feet of shelled-in space, being the 3rd and 4th floors of the new hospital wing authorized by CN0801-004A. The built out space will house patient rooms for cardiology and cardiothoracic patients, and is located on the main campus of UTMC.

On the premises located at: 1924 Alcoa Highway
Knoxville (Knox County), TN 37920

For an estimated project cost of: \$13,941,818.00

The Expiration Date for this Certificate of Need is

May 1, 2013

or upon completion of the action for which the Certificate of Need was granted, whichever occurs first. After the expiration date, this Certificate of Need is null and void.

Date Approved: March 24, 2010


Chairman

Date Issued: April 28, 2010


Executive Director